Top 5 Technology Challenges in the Tour Operating Sector

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The Top 5 Challenges

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1. Technology in the Cloud

Tour operators implementing a new reservations system need to consider their IT infrastructure.

As a tour operator, where should you host your applications? More and more, we are asked about cloud computing. Tour operators are considering whether to run their applications in 'the cloud' versus 'on premise'.

So what is the cloud? In simple terms, cloud computing means storing and accessing data and programmes over the Internet instead of through your computer or your company server's hard drive. The cloud is a metaphor for the Internet, and we consider the Internet to be everywhere.

This assertion is reflected in the growing sales of tablets and smartphones against declining sales for laptops and desktops.

We have a new client whose operation is spread across many territories in Asia. Cloud hosting offered a perfect solution to the complexities of distributing a system that provides common functionality and data to all.

This is one example where the cloud was a good fit as a hosting solution. This section outlines several issues that you should consider when looking to move your business to the cloud.

Brian Mebourne
Senior VP of Technology
Open Destinations

1. What are the benefits of hosting in the cloud?

Mobility & collaboration
Workforces are increasingly more mobile, distributed across various regions, less tied to a dedicated work station or even working from home. Cloud computing provides access to applications and documents everywhere. The traditional obstacles to sharing documents and applications are removed.

Flexibility
Cloud computing can be considered a virtually limitless set of resources: computer power, memory, storage and bandwidth. Hosting business applications in the cloud comes with the huge benefit of being able to dynamically react to changes to business demands. Tour operators have the ability to increase the resources that they use when they expect high demand and they can also decrease resources during known quiet times in their operations, such as weekends and evenings.
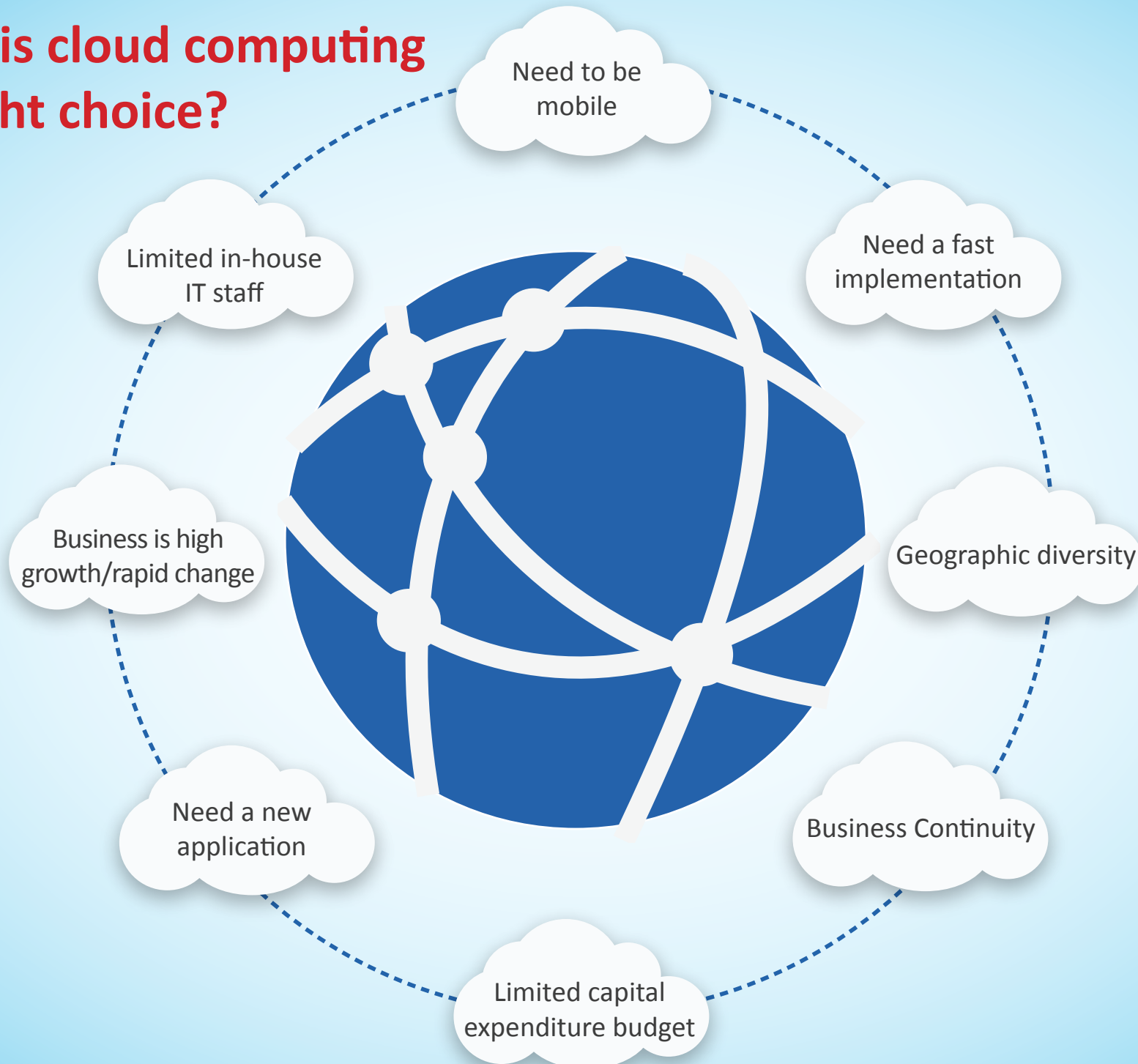
Business continuity
Without any physical hardware to support, traditional IT operations and disaster recovery is seamlessly delivered by the cloud computing provider.

Security
Storing data in the cloud removes the risks associated with storing business documents and data on a physical device.

When is cloud computing the right choice?

- Need to be mobile
- Need a fast implementation
- Geographic diversity
- Business Continuity
- Limited capital expenditure budget
- Need a new application
- Business is high growth/rapid change
- Limited in-house IT staff

Technology in the Cloud

2. What are the cost considerations?

This is where the organisation needs to evaluate their operating costs in the long term. Will these be constant or are they likely to fluctuate? It is also worth looking into the expansion plans for the organisation. For example, if there are plans to expand into multiple offices, a cloud solution may save on expensive overhead costs such as hardware and employment of multiple IT teams.

3. What are the capabilities for managing hardware in the organisation?

This is where tour operators need to evaluate the technical knowledge within their organisation. If the decision is to go with a cloud provider, there will be a need for more specialist vendor management skills within the IT department, to manage the commercial relationship.

4. How will the organisation manage the transition to the cloud?

In our experience, we have found that large tour operators take a slow approach to moving services into the cloud, as this allows them time to see how it compares against on-site installations. This transition needs to be managed carefully to ensure it does not compromise the company's ongoing operations.

Open Destinations has also created a guide that outlines the various methods of cloud hosting.

Contact us at marketing@opendestinations.com to request your copy today.

2. Integration with Suppliers

As tour operators continue to expand their product, their technology is under ever-greater pressure to deliver content to customers as quickly as possible. We have seen the volume of suppliers grow exponentially over the past 10 years and this continues to put pressure on the speed of technology in both B2B and B2C environments.

In order for tour operators to compete with this, it is increasingly vital that their technology is integrated with a wide variety of suppliers. With our existing reservations system, Travel Studio, the crucial areas of integration at the moment are with flights, ground arrangements and financial systems. Our system now has over 60 integrations, with the most recent additions of Hilton Hotels and Air Arabia.

The channel challenge

We have seen a rapid growth in demand for integrations with channel managers. This demand has grown significantly over the last few years, as the influence of channel managers in the hotel supply chain increases.

This has brought on a rise in the use of 'channel manager' software, particularly over the last 12 – 18 months.

Kevin O'Sullivan
Founder & CEO
Open Destinations

The introduction of channel managers is starting to cause issues for tour operators, as they struggle to adapt their system to this ever changing landscape. Tour operators that fail to integrate with channel managers in their supply chain are starting to lose out, and new entrants with more technological agility are rapidly gaining market share.

The rise of the online tour operators (OTA) and wholesale travel companies has also resulted in more transparency, when it comes to knowing which hotel rate is available, and to whom. The price conscious end-consumer is used to shopping around, and the operators with the best rates are the ones winning the business.

What can you do to be competitive in this environment?

In the future, it is hard to see how any medium-sized tour operator needing up-to-date hotel rates can survive without adapting their systems for channel managers. They will definitely struggle to keep their rates competitive. The winners here seem to be the hotels and the end-consumer.

In order to prepare your technology for these integrations in the future, we recommend that you evaluate the capabilities of the API which facilitates all of these connections to other systems. This API needs to be flexible and capable of handling all of the different features of the many different third-party systems.

3. Future Proof Technology

One of questions that our clients continue to ask us is: 'how do I ensure that my technology is sustainable?'

We all know how rapidly technology can change and the reality is that tour operators will need to continue to invest in their technology over the long term. Consumers will continue to adapt their booking patterns around the latest technology and travel companies will need to adapt accordingly.

What we have been focusing on with our clients is the discussion around data driven decisions. The big OTA's are changing their approach to product management and focusing on the science of data. At our recent event at London Technology Week, Expedia confirmed approximately 400 new data scientists were hired in 2014 - a shift from the traditional approach to managing product.

How can you use the data that you have available to make the best decisions about the future of your business? Here are a few examples of incorporating data into your decisions.

Capturing data

Look beyond the traditional data capture points in your customer journey and think about how these data capture points can work together. For example, merging your customer booking preferences with your social media channels.

It's also important to think about where this data is captured throughout the customer journey. Mobile devices will continue to change the customer booking behaviour and also provide opportunities to improve the customer experience. For example, one of our clients uses mobile devices to improve their escorted tour experiences by having their tour guides capture feedback from customers throughout the holiday.

Customer Experience Management

Tour operators are moving away from the traditional customer relationship management (CRM) and looking at the holistic customer experience throughout the customer life cycle. By understanding the behaviour of your customer throughout the life cycle, there is an opportunity to lead the customer down the path that you want to sell your products.

How can you use your technology to deliver a totally personalised experience to your customers? The key is a combination of Big Data and automation. Our clients continue to analyse their internal systems and business processes to incorporate more automation into their technology. By increasing this automation, you will ensure that you deliver the customer experience in real time, in a language that they understand.

Phil Napleton
Senior VP of Products & Professional Services, Open Destinations

4. Staffing Resources for Technology

Having implemented new technology into tour operator businesses over the past 15 years, we know that the key success factors in any organisation or project are its people and its processes. Technology is merely the enabler.

Implementing a new reservations system is a significant project; one that involves all departments of a tour operating business. The average project cycle for our projects is between nine and 18 months, but we are seeing companies working on much shorter timelines, leaving as little as six months to complete a project from start to finish.

Generally we find that tour operators will allocate 95% of their planning time toward the analysis and research of their technology requirements. Without this evaluation of human resources in the early stages, there is a danger that tour operators will be ill prepared for the change in technology, which can not only result in project delays and budget overrun, but also significantly hampers user adoption and thus return on the investment.

This section outlines the typical stages of a tour operator technology project and our recommendations for staffing considerations.

John Davies
Senior VP of Projects
Open Destinations

The Project Approach

1. Define the project roadmap

At this stage a large-scale gap analysis takes place across the organisation. A company needs to look at the capabilities and limitations of its current technology and decide on changes to be made in the short and long term. Essentially, the tour operator needs to consider the requirements of their external customer and their internal customers: the staff using the existing system.

2. Develop a training programme

At this stage, the tour operator selects people within the organisation who will become both advocates and trainers for the new technology. We call these individuals 'Super Users.' These individuals go through in-depth training to understand the software and learn how to train staff on an ongoing basis, such that the business may take full advantage of the technology.

This training is led by professional implementation consultants from the technology company, who design and execute the training programme and provide on-site support in the days leading up to and following the software going live.

What are the typical phases of a technology project?

Define the Project Roadmap

Develop Training programme

TECHNOLOGY PROVIDER

Change is driven by technology provider with needs analysis and 'train the trainer' programme, identifying super users of the technology within the tour operator organisation.

Setting up the System

TOUR OPERATOR

A new team is created to manage the system, with the technology provider giving software support & consultancy for ongoing development.

Maintaining the System

Staffing Resources for Technology

3. Setting up the system

When moving to a new reservations system, tour operators typically have a large amount of customer booking data that needs to be migrated. This often requires additional resources to load the data, as well as manage the data after the system goes live. Data migration is very much on the critical path for a project and can often delay the project unless adequately planned and resourced.

This need to manage data in our reservations system led to the creation of a dedicated outsourcing department, based in our India office. These teams work with the tour operator's product and finance departments to load hotel contracts and manage complex finance processes such as supplier invoices. Our customers have found this to be a cost-effective way to manage data and receive regular reports of all activities.

4. Maintaining the system

Software support
It is vital for tour operators to be able to log issues in real time and speak to staff at any time of day or night. In the Asia Pacific region, this is becoming particularly challenging with software that is purchased in western countries, due to the difference in time zone. We have addressed this with our support centre in India, which ensures that we can reach our customers in the region.

IT ownership
After going live with the software, someone needs to be responsible for managing product data, reporting and technology upgrades on a permanent basis. This person (or persons) needs in-depth knowledge of the new software, as well as expertise in other areas such as IT infrastructure and networking. This person should be supported by an IT Test Team and a Release Manager.

Training & development
Due to the nature of turnover and the need to constantly evolve, training is ongoing and led by the identified 'Super Users'. It's worthwhile to conduct an annual analysis of the business to look at areas of the technology that need further development. This should be done by dedicated business analysts within the organisation.


Open Destinations has also created a guide that outlines various project approaches and recommended staffing requirements.

Contact us at marketing@opendestinations.com to request your copy today.

5. Change Management

Our experience of implementing technology has shown us that one of the biggest obstacles for a tour operator is helping their staff adapt to change. Many tour operators that we work with are moving their business to a brand new reservations system, after having developed a legacy system that has been built in-house. Their existing technology has become embedded into their corporate culture.

A change in technology means a change in routine for staff across the organisation. There are many schools of thought on the effects of a major change to an organisation's culture. One of the more popular theories is Bridges Transition Model (see below).
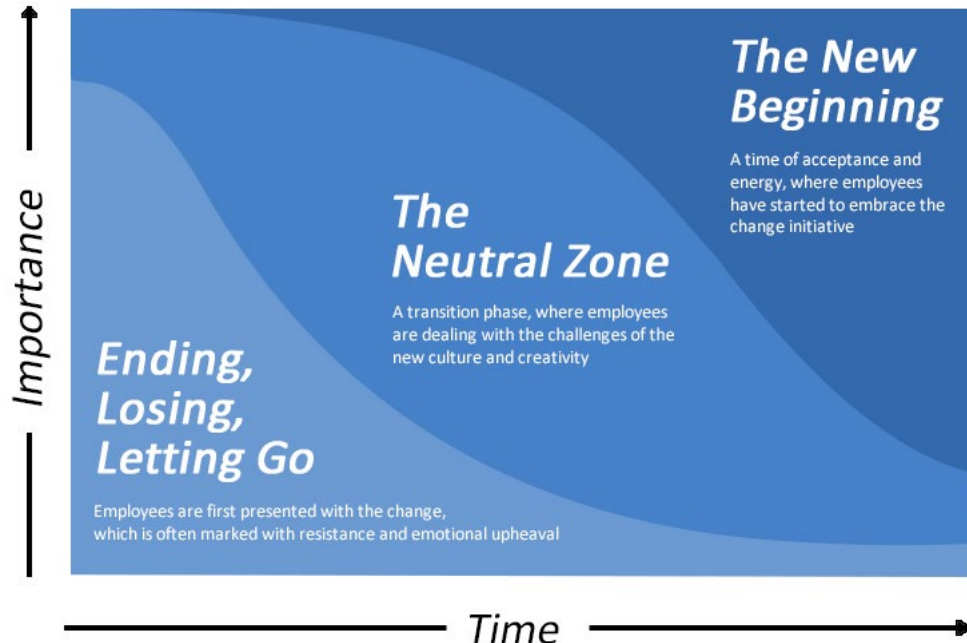
Bridges' theory states that organisations will experience a predictable pattern of employee behaviour when a large-scale change takes place. It also challenges that management needs to address employee emotions throughout the change process, or this will negatively affect the corporate culture and, in turn, employee productivity.

Heather Smith
Head of Marketing
Open Destinations

How can management address this employee behaviour?

We have seen that a successful implementation of technology is accompanied by an internal marketing initiative, where the marketing and HR teams work with management to form and execute a strategy. Below are a few examples of successful campaigns that we have encountered with our clients.

Enlist the support of a change management team

We often refer to these people as 'change champions.' They are individuals in the organisation who are very knowledgeable about the project and will reinforce the vision for the company. These people will help keep the momentum going throughout the project, while also providing an outlet for employees to voice their concerns on a one-to-one basis.

The New Beginning
A time of acceptance and energy, where employees have started to embrace the change initiative

The Neutral Zone
A transition phase, where employees are dealing with the challenges of the new culture and creativity

Ending, Losing, Letting Go
Employees are first presented with the change, which is often marked with resistance and emotional upheaval

Importance

Time

Change Management

Communicate the vision for change

It's imperative that you engage early on with employees to talk about the big picture of the organisation. This is the opportunity to tell them how the new technology will benefiit the company and help them achieve their goals. Several of our clients have held regular 'town hall' style meetings and have also distributed a technology specific newsletter throughout the entire project.

We have also seen our clients promote the new technology by wearing branded clothing and creating special signage around the office in the lead up to the go-live of the new technology.

Embed technology into the new culture

Several of our clients introduce new technology to open up the channels of communication with employees. This is often in the style of a Wiki component that is added to their intranet, where employees can share their feedback on the new technology. This also provides a forum where employees can celebrate successes and management can provide positive reinforcement to them on an ongoing basis.